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In accordance with Chapter 442, Statutes of 2006 (AB 2941, Koretz), the California Public Employees' Retirement System (CalPERS) is submitting to the Legislature the attached report on investment holdings in companies with business operations in Sudan. To compile this report, CalPERS contracted with a third party independent research firm in addition to conducting our own research.

Please contact Anne Stausboll, Chief Operating Investment Officer, at 916-795-3818 if you have questions regarding this report.

Sincerely,

Wendy Notsinneh
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cc: Fred Buenrostro
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**Report on Companies with Business Operations in Sudan
AB 2941 (Ch. 442, Stats. 2006), Gov. Code §7513.6
January 1, 2008**

This report is prepared pursuant to Government Code (“G.C.”) §7513.6, which requires the California Public Employees’ Retirement System (CalPERS) to report annually on investments in companies with business operations in Sudan.

CalPERS, with more than \$260 billion in assets, is the largest public pension fund in the United States. It administers retirement and health benefits for approximately 1.5 million active and retired California public employees and their families on behalf of 2,600 government employers.

Article XVI, section 17 of the Constitution of the State of California provides that CalPERS’ assets are held in trust. The Board must discharge its duties with respect to the System “solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.” The Board’s duty to its participants and their beneficiaries takes precedence over any other duty.

In compliance with G. C. §7513.6, CalPERS hired an outside research firm to provide a list of companies with “business operations”¹ in Sudan, as well as contacting other institutional investors, and reviewing publicly available information. Based on these research activities, CalPERS identified the portfolio companies listed below as having business operations in Sudan. Pursuant to the statute, CalPERS notified these companies and is determining whether they meet G. C. §7513.6(b) and (c).

Company Name	Summary of Business Operations in Sudan²
ABB	ABB’s work in Sudan was power transmission from a dam at Merowe to Khartoum, Port Sudan and a resort on the Nile. They also sold flow control systems in the Heglig oil field in the south of the country and low-voltage products through distributors. At the start of 2007, ABB announced the suspension of business activities in Sudan.
Agfa Gevaert Nv	Provides medicines and medical devices.
Alcatel / Lucent	Engages in limited commercial activity focused on civilian telecommunications that provides revenue to the Sudanese government.

¹ “Business operations” is defined as “...maintaining, selling, or leasing equipment, facilities, personnel, or any other apparatus of business or commerce in Sudan, including the ownership or possession of real or personal property located in Sudan.” (Gov. Code sec. 7513.6(a)(3).)

² These descriptions are based on information received from the individual companies.

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Allianz AG	Allianz Group companies are insuring business activities and provide banking services within or with regard to Sudan.
Alstom	Has a contract to supply electro-mechanical equipment for the Merowe Dam project in Sudan. The current activities are restricted to the execution of the Merowe project and a further Customer Service Activity for rehabilitation of generators and turbines at the Khartoum North Power Plant.
Astrazeneca Plc	Provides medicines and medical devices.
Barclays PLC	According to Barclays, it is its policy not to engage in business operations in Sudan or to deal with the Sudan government.
Bayer Schering Pharma AG	Bayer's activities in Sudan are mainly CropScience business with the Cotton Boards which has been taking place for more than 25 years. Bayer has not made a capital investment, entered into any licensing agreement, paid fees and/or taxes, and doesn't have any employees.
Beiersdorf AG	Beiersdorf has no affiliate, employees or assets in Sudan and formally terminated its distribution agreement dating back to the seventies with Cosmetic Industries Laboratory/Khartoum in the beginning of 2005, after many years of standstill of business between the parties. By August 2006, the company decided to cease any business activities with Sudanese companies.
Bharat Electronics Ltd	Company has been identified by third party research firm and we are researching their business operations.
BNP Paribas	Company has been identified by third party research firm and we are researching their business operations.
Bridgestone	Exports pneumatic tires for use on passenger cars, trucks and buses, and earthmoving equipment through a Japanese trading company.
British Airways PLC	Neither British Airways Plc nor any of its subsidiaries is involved in operations in Sudan. They allow an unrelated entity, British Mediterranean Airways Limited, to act as a franchisee to various medium haul destinations and it is they who operate flights between London and Khartoum under the British Airways brand. British Mediterranean pays British Airways a franchise fee for the use of the brand. BMED commenced flights to Khartoum in April of 2004.
Carephone Warehouse PLC	Company has been identified by third party research firm and we are researching their business operations.
CNPC Hong Kong Ltd.	CNPC (HK) stated that it nor any of its subsidiaries have carried out any business or joint ventures in Sudan.
Commerzbank AG	Commerzbank has handled the financial side of its clients' foreign transactions, including external trade with Sudan, which mainly consists in clean payments and documentary payments under letters of credit and collections in connection with exports of German companies.

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Continental AG	Continental AG's affiliate Continental Tyre South Africa (CTSA), a JV with a South African Black Empowerment Entity, is currently supplying truck tires to two customers in Sudan, who are reselling these tires to the general road transport industries within Sudan. CTSA has been doing business with them for the past 2 years. Its subsidiary Barum Continental Ltd. has a contract with the UN - Dept of Peacekeeping Operations under which it received a first purchase order for the supply of tires for the UN Mission in Sudan which was executed in 4/06. The Dunlop Oil & Marine Ltd. sold offshore oil hoses to the GNPOC in 2006 which were replacement parts for hoses supplied to a European oil exploration equipment manufacturer in 1998 and 2000. According to its knowledge, the customers other than the UN are privately owned enterprises, except GNPOC in which Sudapet owns a minority interest. The company stated that neither Continental AG nor any of its subsidiaries have concluded any new contracts with Greater Nile Petroleum Operating Co. since July 2006.
Credit Agricole SA	Company has been identified by third party research firm and we are researching their business operations.
Credit Suisse Group	In the first quarter of 2006, CSG determined not to go into any new client relationship as well as to exit existing business with counterparties in, or directly relating to, Sudan. This includes termination of all relationships with private clients as well as corporate, governmental and banking institution clients domiciled in Sudan, subject to completion of contractual obligations (a substantial portion of which have terminated by mid-2006).
Cummins , Inc.	After investigating an Amnesty International report, Cummins discovered that engines made by a JV company would be eventually installed in trucks sold to Sudan. Cummins went to China to discuss the issue with its partners stating it did not want components produced by the JV being used in equipment sold to Sudan. Cummins also intends to hold similar discussions in the near future with other JV partners to communicate the same message. After re-evaluating its policies Cummins decided to ban all sales of its products in Sudan, regardless of where they originate and has begun notifying its sales organizations, distributors and dealers around the world of the change in policy. Cummins did have a contract with an independent distributor to serve the Sudanese market but it has been terminated.
Daihatsu Motor Co. Ltd.	Daihatsu exported a total of 786 vehicles to Sudan in the last fiscal year to an local distributor in Sudan.
Deutsche Bank AG	Company has been identified by third party research firm and we are researching their business operations.
Deutsche Lufthansa AG	The company's nexus to Sudan is flight operations from Frankfurt to Khartoum, actually 4 flights per week (summer flight schedule 2006). In total it is operating currently 12,900 flights per week.
Deutsche Post AG	Provides worldwide express and logistics services through local Sudanese private individuals with no affiliation to the Sudanese government.
Electricity Generating Public Co Ltd	Company has been identified by third party research firm and we are researching their business operations.
Electrocomponents PLC	According to Electrocomponents, it has no active business operations and does not solicit sales in Sudan. There have been some minimal adhoc sales to the country in the past through its export business in the UK. The vast majority of these sales have been to a single customer, a food processing business located in the central/south region of Sudan.

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Ericsson	Distributes switching equipment for fixed telephony and mobile GSM systems in Sudan. Ericsson's customers in Sudan are Sudatel and Sudanese Mobitel.
Finmeccanica SPA	According to Finmeccanica, it has been involved in supplying civil aviation equipment necessary to facilitate humanitarian aid.
Givaudan	Company sell flavours and fragrances to customers in Sudan that are used in the manufacture of consumer goods such as soaps, detergents and food products.
Holcim Ltd.	Holcim owns 50% of the shares and 42.5% of the economic rights of Seabulk Trading and its fully owned subsidiary Seabulk Trading Sudan Branch since 2002. The company owns a cement import terminal in Port Sudan Free Zone and employs about 30 people. Seabulk Trading sells cement - not yet imported in Sudan - to Sudanese customers who import the product into the country.
HSBC Holdings PLC	According to HSBC Group, it does not operate in Sudan.
Indian Oil Corporation	Indian Oil has been awarded a contract by M/s. Greater Nile Petroleum Operating Company Ltd, Sudan for a lump sum amount of USD 839, 000 for consultancy work for preparing manual in connection with development of pipeline facilities' operation, inspection and maintenance procedures. Indian Oil is receiving fees from GNPOC for consultancy work as well as rendering training services, which it asserts are beneficial to the general public of Sudan.
Ingersoll-Rand Company Limited	Distributor of mechanical door locks and cylinders and other such hardware items for use in the building hardware and ironmongery industries.
Kia Motors - Hyundai Motor Co.	Automobiles are exported and sold by local distributors in Sudan, which are privately owned and not associated with the government of Sudan and independently sold in Sudan.
Komatsu Ltd.	Komatsu has sold products and provided related warranty service and spare parts in Sudan for many years, generally through Japanese trading companies that place the equipment with Tital Company Ltd., Komatsu's distributor in Sudan. The products have generally consisted of construction equipment and forklift trucks, and replacement parts. According to Komatsu as of July 18, 2007, it would suspend indefinitely the prospective renewal of its existing distribution agreements with Tital Company Ltd. and it would make no new sales of completed equipment to Sudan. Further it has limited its supply of spare parts to Tital to circumstances where Komatsu receives advance assurances from Tital that the entity to be provided the spare parts will not be the Government of Sudan or a corporation owned by the Government of Sudan.
Lafarge	Lafarge's operations relate to the importation of cement into Port Sudan by its Marine Cement trading operations for development purposes. Lafarge continues to have very limited business operations in Sudan, and has no plans to extend such operations.
Lloyds TSB Group plc	According to Lloyds, it has no operations in Sudan. With regard to the Bank of Khartoum correspondent bank relationship, this account was closed the week of July 31, 2006.
Lukoil Oao	Company has been identified by third party research firm and we are researching their business operations.
Marathon Oil Corp	Company owns a 32.5% interest in Sudan's Central Block (Block B), but does not conduct operations or business activities in Sudan because of U.S. Government Sanctions. In December 2004, Marathon Oil was granted a license by OFAC that allowed the company to sign a revised exploration and production sharing agreement in order for Marathon to protect its Central Block interest.

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Metso	Provides supplies of construction machinery for road construction purposes through a local dealer.
MISC Berhad	Company has been identified by third party research firm and we are researching their business operations.
Mitsubishi Motors Corp.	Automobiles are exported and sold by a local distributor in Sudan, which is privately owned and not associated with the government of Sudan.
Mitsui & Co.	Involved in the purchase of Sudanese oil on the open market.
Natixis	Company has been identified by third party research firm and we are researching their business operations.
NEC Corp.	NEC doesn't have operations or capital investments in Sudan. However there were a few third party transactions in 2005 and 2006 in which its telecommunications equipment was sold to Sudan through companies located in China. The Chinese companies are not affiliated with NEC. The Chinese companies procured from NEC and supplied to Sudan its telecommunications equipment as part of their telecommunications system. NEC sold such equipment in compliance with applicable laws such as the Foreign Exchange and Foreign Trade Law in Japan.
Nippon Yusen K.K.	Provides ocean transportation service to customers needing to transport goods to Sudan. None of its customers is a Sudanese entity. NYK works only with a Sudanese steamship agent, "a private sector" company, who takes custody of the cargo for delivery to the consignee.
Petrofac Ltd	Company has been identified by third party research firm and we are researching their business operations.
Primus Telecommunications Group	Company has been identified by third party research firm and we are researching their business operations.
Reliance Industries Ltd.	Exports products which include polyethylene (used for packaging), polyester chips (used in fabric raw material) and high speed diesel (used as transportation fuel for common use) in Sudan.
Royal Dutch Shell PLC	Company's primary business activity in Sudan is the operation of service stations. Oil distributed through their service stations are imported through Port Sudan.
Sarawak Enterprise Corp. Bhd.	Company has been identified by third party research firm and we are researching their business operations.
Scania AB	Delivers trucks to a private distributor Elnefeidi which is used by UN for transports in UN World for Food Program. Scania has one person in Sudan who assist with service, repair and maintenance of the vehicles. It has the same policies and procedures for all our activities, the Code of Conduct and the Corporate Governance Manual.
Schlumberger Ltd.	Company is an independent oilfield service company that has various oilfield service contracts with certain joint ventures created by internationally recognized exploration and production entities that operate in Sudan, and these joint venture entities are at least 90% owned by non-Sudanese companies, with the remaining percentages held by the National Oil Company of Sudan. A very small portion of its business in the country involves the sale of services to state owned enterprises.
Schneider Electric SA	Provides electrical equipment to the National Electrical Company of Sudan to consistently deliver reliable electrical service throughout Sudan.

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Siemens AG	Siemens had two lines of business in Sudan: telecommunications equipment and medical technology. The telecommunications equipment business involved the sale of product to Vodafone and Sudan Telecom. The medical technology business included the sale of products such as ultrasound devices. Medical equipment was sold to hospital and health organizations in Sudan. In March 2007, Siemens stated that it has decided not to accept new orders in the country.
SKF AB	The SKF Group has an independent (i.e. not owned or controlled by SKF) distributor in Sudan acting as an agent who sells SKF bearings in its shop in Khartoum and collects orders from end-users in Sudan. Its biggest customer is the sugar industry.
Sojitz Holdings Corp.	Provides Mitsubishi's cars, trucks and busses to local distributor in Sudan. In 2005 only, trading crude oil from SUDAPET has an annual turnover in 2005 of about \$350. Company is also selling excavators, wheel loaders and cranes, and is engaged in selling automobile tires procured from Bridgestone to distributor in Sudan. Sojitz conducts a detailed assessment of export control and country risk analysis for each new investment and also investigates to make sure that those products, will be utilized for commercial purpose only.
Sony Corp.	Distributor of consumer-use products as color televisions, audio products and recording media products. Also has 2 Sudan based private companies. One sells printers and print media, the other is for professional use for AV products, including professional media products and acts as Sony's agent with the Sudanese Radio & Television Corporation and Sudan TV's provincial broadcasting stations.
Stryker Corp.	According to Stryker, it is not currently engaged in any direct or indirect business operations in Sudan. In fact, its OFAC license to do business there has expired.
Sumitomo Chemical Co. Ltd.	Provides mosquito nets with insecticide to the World Health Organization and the United Nations Children's Fund.
Sumitomo Corp.	Company has been identified by third party research firm and we are researching their business operations.
Swiss Reinsurance	Maintains a small number of business relationships with selected Sudanese Counterparties including direct insurers, cement plants, sugar mills, ports and others.
Syngenta AG	Provide agricultural products for humanitarian services.
Synthes Inc	Company has been identified by third party research firm and we are researching their business operations.
Tenaris SA	Tenaris sold 41.5 ktons of welded pipes produced by one of its subsidiaries to a subsidiary of Petronas in 2004. Tenaris understands that the pipes were destined for use in the construction of a pipeline in the Melut Basin of Sudan. Tenaris nor any of its subsidiaries or affiliates, have made any other sales, nor are they engaged in any ongoing business or otherwise engaged in business relating to Sudan or involving a Sudanese government entity nor have they paid any fees and taxes to the Sudanese government.

The Coca-Cola Company	Coke doesn't have any business investments in Sudan and doesn't do any business with the government of Sudan. Coke has an OFAC license to sell the company's beverage base to a private company who serves as a bottler in Sudan. In July 2004, Coke uncovered and voluntarily reported to OFAC possible violations of its OFAC license. After extensive investigation by both the company and OFAC, Coke agreed to a civil settlement of \$136,500. Coke continues to improve its compliance program and has taken disciplinary measures against those involved in the violation of the OFAC license.
Total SA	Does not currently have active business operations in Sudan; however, it must pay the Government of Sudan an annual fee of \$1 million in order to maintain Total's rights to its contract area.
Toyota Motor Corp.	Automobiles are exported and sold by local distributors in Sudan, which are privately owned and not associated with the government of Sudan and independently sold in Sudan.
Unilever N.V.	Provide food and Personal care products which are sold in Sudan through an unaffiliated third party distributor whom is privately owned and not associated with the government of Sudan.
Vodafone	Vodafone's contact with Sudan is limited to wholesale roaming and interconnect arrangements that certain Vodafone subsidiaries and joint ventures have with mobile and fixed line operators in Sudan.
Volkswagen AG (VW)	Has provided an average of 100 cars per year in Sudan, mainly in Khartoum, through an independent dealer that buys cars upfront directly from VW.
Volvo AB	Volvo Group companies export products to Sudan under agreements with dealers and other distributors. In certain cases it sells directly to customers in Sudan.
Wartsila Oyj (Formerly Metra Oy)	Company has been identified by third party research firm and we are researching their business operations.
Weir Group Plc (The)	Company has been identified by third party research firm and we are researching their business operations.
Xerox Corp.	According to Xerox, its U.S. operating company doesn't engage in any active direct or indirect business operations in Sudan. Xerox Limited has maintained distribution agreements with unaffiliated 3rd parties for the distribution of Xerox products in Sudan. However, it's terminating its only distribution agreement with an unaffiliated 3rd party with respect to Sudan and expected that, by the end of 2006, it will have only legacy obligations such as providing spare parts and supplies to this distributor.

To date, there has not been a reduction in investment as referenced in G.C. §7513.6(i)(3). This type of decision would be appropriate, if at all, only after a determination that a company meets the criteria of G.C. §7513.6(b) or (c), and after a complete fiduciary analysis to determine whether divestment is consistent with CalPERS' fiduciary responsibilities, and in accordance with G.C. §7513.6(k).

At this time, the disclosure of the names of companies under consideration as potential candidates for divestment would be contrary to CalPERS' fiduciary responsibilities, because disclosure could lead to a market impact, e.g., a change in the value of the company's stock, and could negatively impact CalPERS' investment decisions.

On March 16, 2006, the Regents of the University of California voted to divest subject to indemnification, in the following nine companies: Bharat Heavy Electrical, China Petroleum, Nam Fatt, Oil & Natural Gas, PEDC Bhd, PetroChina, Sudan Telecome, Tatneft OAO, and Videocon Industries. These nine companies were defined as those providing monetary or military support to the Sudan government, while showing little or no interest in the violence in Darfur or in helping to improve the welfare of the Sudanese people. CalPERS still does not have any holdings in these companies.